



CONGRESSMAN
DAN LUNGREN
LISTENING TO CALIFORNIA'S 3RD DISTRICT

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Dear Friend,

The House is expected to vote on H.R. 1106 later today – the so-called “Helping Families Save their Homes Act.” Among other things, this legislation contains language which would allow bankruptcy judges to judicially modify mortgage agreements, also known as mortgage cram downs. Although I am deeply concerned – especially in light of the high rate of foreclosures in our area – about helping families stay in their homes, there are some consequences of this bill that should raise red flags in the mind of anyone who may seek mortgage financing.

The mortgage cram down provisions approach the current crisis by suspending the laws of economics. The precedent established by this legislation would increase uncertainty and lead to higher risk premiums – leading to higher interest rates paid by everyone seeking to purchase a home. Increased risk will likely have adverse effects on both the cost and availability of credit. Although this proposal is well intentioned, it will end up hurting those with low incomes the most. Sometimes it is more than just a sentiment that we have to act on here. It is reality. And unless we can suspend the laws of economics, this provision will actually undo what the housing bill is intended to do: help people have access to mortgages and get lower rates.

Because banks are unlikely to take financial responsibility for the economic consequences of this legislation, the cost of allowing judges to modify mortgages will be passed on to the consumer. Therefore, it is most likely that the real cram down will be down the throats of borrowers, which is the last thing that I want to do.

It is my feeling that the cram down provisions work against the purpose of revitalizing our housing market. Although the title of the legislation reflects a noble objective, the actual effect of the bill is likely to make a very bad situation even worse.

I would love to hear from you regarding this legislation or other issues important to you. Please consider filling out the below survey, [e-mailing me](#), or calling my District Office at (916) 859-9906.

Sincerely,

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Daniel E. Lungren
Member of Congress

The Helping Families Save Their Homes Act

Do you agree with the legislative proposal to allow bankruptcy judges to reduce the principal of mortgage agreements (mortgage cram down)?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree

The most effective way for the government to prevent more foreclosures is to

- ☐ allow mortgage cram down.
- ☐ increase the tax credit for homebuyers.
- ☐ encourage banks to modify mortgages.
- ☐ None of the above

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